



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MAY 2020

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			3 months ended		
		31.5.2020 RM'000	31.5.2019 RM'000	Changes %	31.5.2020 RM'000	31.5.2019 RM'000	Changes %
Revenue	B4	385,272	378,588	1.8%	385,272	378,588	1.8%
Total operating expenses		(277,517)	(222,131)	24.9%	(277,517)	(222,131)	24.9%
Other income		21,753	31,599	-31.2%	21,753	31,599	-31.2%
Profit from operations	B5(a)	129,508	188,056	-31.1%	129,508	188,056	-31.1%
Interest expense	B6	(92,422)	(75,388)	22.6%	(92,422)	(75,388)	22.6%
Profit before tax		37,086	112,668	-67.1%	37,086	112,668	-67.1%
Taxation	B7	(10,807)	(28,068)	-61.5%	(10,807)	(28,068)	-61.5%
Profit for the period		26,279	84,600	-68.9%	26,279	84,600	-68.9%
Other comprehensive income, net of tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Net changes in cash flow hedge	B5(b)	-56,093	(18,280)	206.9%	(56,093)	(18,280)	206.9%
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Net fair value changes through other comprehensive income		(4,138)	2,217	-286.6%	-4,138	2,217	-286.6%
Total comprehensive income for the period		(33,952)	68,537	-149.5%	(33,952)	68,537	-149.5%
Profit attributable to equity holders of the Company		26,279	84,600	-68.9%	26,279	84,600	-68.9%
Total comprehensive income attributable to equity holders of the Company		(33,952)	68,537	-149.5%	(33,952)	68,537	-149.5%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	10.29	32.69	-68.5%	10.29	32.69	-68.5%

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	Note	Unaudited As at 31.5.2020 RM'000	As at 29.2.2020 RM'000
ASSETS			
Non-current assets			
Plant and equipment		138,997	141,161
Right-of-use assets		68,032	70,997
Investments		44,562	48,699
Deferred tax assets		227,054	213,801
Financing receivables		5,600,756	6,265,390
Total non-current assets		6,079,401	6,740,048
Current assets			
Financing receivables		4,158,011	3,438,731
Other receivables, deposits and prepayments		80,229	83,564
Amount owing by related companies		14,502	10,706
Derivative financial assets	B8	43,952	28,810
Cash, bank balances and deposits		164,635	132,798
Total current assets		4,461,329	3,694,609
TOTAL ASSETS		10,540,730	10,434,657
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		565,517	565,448
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		14,041	14,107
Hedging reserve		(171,963)	(115,870)
Fair value reserve		23,433	27,571
Retained earnings		1,092,382	1,066,103
Equity attributable to ordinary equity holders of the Company		1,523,410	1,557,359
Perpetual notes and sukuk		200,000	200,000
Total equity		1,723,410	1,757,359



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020 (Continued)

		Unaudited As at 31.5.2020 RM'000	As at 29.2.2020 RM'000
	Note		
Non-current liabilities			
Borrowings	B11	6,235,182	5,597,516
Lease liabilities		47,443	52,037
Total non-current liabilities		6,282,625	5,649,553
Current liabilities			
Borrowings	B11	2,158,000	2,600,152
Trade payables		25,763	32,913
Other payables and accruals		190,652	204,348
Amount owing to immediate holding company		4,463	6,978
Amount owing to related companies		6,939	5,702
Derivative financial liabilities	B8	120,538	132,577
ICULS liabilities		1,923	630
Lease liabilities		20,808	19,140
Tax liabilities		5,609	25,305
Total current liabilities		2,534,695	3,027,745
Total liabilities		8,817,320	8,677,298
TOTAL EQUITY AND LIABILITIES		10,540,730	10,434,657
Net assets per share (RM)		6.01	6.14
Number of ordinary shares ('000)		253,625	253,619
Capital adequacy ratio (%)		21.08	18.87

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MAY 2020

	← <u>Non-distributable</u> →				<u>Distributable</u>		Total RM'000
	Share capital RM'000	ICULS equity RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 March 2019	534,907	43,800	376,000	(21,491)	37,528	904,237	1,874,981
Cash flow hedge, net of tax	-	-	-	(18,280)	-	-	(18,280)
Fair value through other comprehensive income	-	-	-	-	2,217	-	2,217
Profit for the period	-	-	-	-	-	84,600	84,600
Total comprehensive income for the period	-	-	-	(18,280)	2,217	84,600	68,537
Conversion of ICULS equity	294	(294)	-	-	-	-	-
Conversion of ICULS liabilities	21	-	-	-	-	-	21
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	-	(1,133)	(1,133)
Redemption of perpetual note	-	-	(46,000)	-	-	-	(46,000)
At 31 May 2019	535,222	43,506	330,000	(39,771)	39,745	987,704	1,896,406
At 1 March 2020	565,448	14,107	200,000	(115,870)	27,571	1,066,103	1,757,359
Cash flow hedge, net of tax	-	-	-	(56,093)	-	-	(56,093)
Fair value through other comprehensive income	-	-	-	-	(4,138)	-	(4,138)
Profit for the period	-	-	-	-	-	26,279	26,279
Total comprehensive income for the period	-	-	-	(56,093)	(4,138)	26,279	(33,952)
Conversion of ICULS equity	66	(66)	-	-	-	-	-
Conversion of ICULS liabilities	3	-	-	-	-	-	3
At 31 May 2020	565,517	14,041	200,000	(171,963)	23,433	1,092,382	1,723,410

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MAY 2020

	31.5.2020	31.5.2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	37,086	112,668
Adjustments for:		
Interest income	(907)	(388)
Finance costs	91,656	74,709
Interest on lease liabilities	766	679
Gain on disposal of plant and equipment	(3)	(92)
Depreciation of plant and equipment	12,684	10,855
Depreciation of right-of-use assets	5,282	4,517
Impairment loss on financing receivables	174,368	93,338
Write-off of plant and equipment	2	41
Operating profit before changes in working capital	320,934	296,327
Changes in working capital:		
Financing receivables	(229,014)	(540,550)
Other receivables, deposits and prepayments	3,335	9,061
Amount owing by related companies	(3,796)	390
Trade payables	(7,150)	(3,018)
Other payables and accruals	(21,744)	(13,831)
Amount owing to immediate holding company	(2,515)	(3,573)
Amount owing to related companies	1,237	(5,669)
Cash held in trust for customers	(2,099)	(2,423)
Cash held in trust for a related company	1,841	(36)
Cash from/(used in) operations	61,029	(263,322)
Tax paid	(26,044)	(24,643)
Net cash from/(used in) operating activities	34,985	(287,965)
Cash flows from investing activities		
Acquisition of plant and equipment	(10,522)	(12,903)
Proceeds from disposal of plant and equipment	3	97
Interest received	907	388
Net cash used in investing activities	(9,612)	(12,418)



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR PERIOD ENDED 31 MAY 2020 (Continued)

	31.5.2020	31.5.2019
	RM'000	RM'000
Cash flows from financing activities		
Drawdown of borrowings	2,230,000	1,595,000
Repayment of borrowings	(2,091,175)	(1,192,047)
Distribution paid to perpetual notes and sukuk holders	-	(1,491)
Redemption of perpetual notes	-	(46,000)
Payment of lease liabilities	(6,009)	(5,449)
Increase in deposit held in trust account	(1)	(1)
Finance costs paid	(82,312)	(69,554)
Net cash from financing activities	50,503	280,458
Net increase/(decrease) in cash and cash equivalents	75,876	(19,925)
Cash and cash equivalents at beginning of the period	66,488	58,429
Cash and cash equivalents at end of the period	142,364	38,504

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31.5.2020	31.5.2019
	RM'000	RM'000
Cash and bank balances	78,007	99,085
Deposits placed with licensed banks	86,628	11,350
	164,635	110,435
Bank overdrafts	-	(54,760)
Cash held in trust for related companies	-	(4,988)
Cash held in trust for customers	(22,080)	(12,056)
Deposit held in trust account	(191)	(127)
	142,364	38,504

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

Notes to the interim financial report for the financial period ended 31 May 2020

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 29 February 2020.

A2 Significant accounting policies

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the following:

Adoption of new and revised Malaysian Financial Reporting Standards (MFRSs)

In the current financial year, the Company adopted all the new MFRS, amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2020.

- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to References to the Conceptual Framework in MFRS Standards

The application of these amendments to MFRSs did not have any material impact on the financial performance or position of the Company.

Amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these financial statements, the relevant Amendments to MFRSs, which were in issue but not yet effective and not early adopted by the Company are as listed below:

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

The Company will adopt the above amendments when they become effective and that the adoption of these amendments will have no material impact on the financial statements of the Company in the period of initial application.

A3 Seasonal or Cyclical Factors

The Company normally benefits from the traditionally higher levels of consumer spending during festive seasons in Malaysia.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

A4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A5 Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior interim period or prior financial years that have a material effect in the current financial period under review.

A6 Debt and Equity Securities

On 12 March 2020, the Company issued subordinated sukuk, with a nominal value of RM200 million under the sukuk programme. The subordinated sukuk has a maturity of 10 years, with the first optional redemption date falling on the 5th anniversary of the issue date. The subordinated sukuk is recognised as capital of the Company for the purpose of meeting the minimum capital adequacy ratio as set out by Bank Negara Malaysia. The proceeds from the subordinated sukuk is utilised by the Company for financing disbursements to its customers in the ordinary course of business of providing consumer financing based on Shariah principles, and refinancing of any existing loans/financing of the Company or any sukuk issued by the Company.

Save and except for the above, there were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter under review.

A7 Dividend Paid

There were no dividend paid during the quarter under review.

A8 Segmental Reporting

The Company is principally engaged in the provision of easy payment schemes for purchase of consumer durables and vehicles, personal financing schemes and credit cards business, all of which are categorised under consumer financing business.

On this basis, the Managing Director (“MD”) reviews the business performance of the Company as a whole.

A9 Subsequent Event

There were no material events subsequent to the end of the current period under review up to the date of this report, which are likely to substantially affect the results of the quarter under review.

A10 Changes in the Composition of the Company

There were no changes in the composition of the Company during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and restructuring and discontinuing operations.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

A11 Fair Value Measurement

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs).

31.5.2020	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	44,562	44,562
Derivatives designated as hedging instruments	-	43,952	-	43,952
Total financial assets carried at fair value	-	43,952	44,562	88,514

Financial liabilities

Derivatives designated as hedging instruments	-	120,538	-	120,538
Total financial liabilities carried at fair value	-	120,538	-	120,538

29.02.2020

<u>Financial assets</u>	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Investments	-	-	48,699	48,699
Derivatives designated as hedging instruments	-	28,810	-	28,810
Total financial assets carried at fair value	-	28,810	48,699	77,509

Financial liabilities

Derivatives designated as hedging instruments	-	132,577	-	132,577
Total financial liabilities carried at fair value	-	132,577	-	132,577

A12 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 May 2020 and up to the date of this announcement.

A13 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any significant Related Party Transactions or Recurrent Related Party Transactions of revenue or trading nature other than those that had been mandated by the shareholders during the Annual General Meeting held on 20 June 2019 and 24 June 2020.

A14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for amounted to RM72.435 million as at 31 May 2020.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Performance Review

	Individual quarter 3 months ended			Cumulative quarter 3 months ended		
	31.5.2020 RM'000	31.5.2019 RM'000	Changes %	31.5.2020 RM'000	31.5.2019 RM'000	Changes %
Transaction and financing volume	778,571	1,584,130	-50.9%	778,571	1,584,130	-50.9%
Revenue	385,272	378,588	1.8%	385,272	378,588	1.8%
Other income	21,753	31,599	-31.2%	21,753	31,599	-31.2%
Profit from operations	129,508	188,056	-31.1%	129,508	188,056	-31.1%
Profit before tax	37,086	112,668	-67.1%	37,086	112,668	-67.1%
Profit for the period	26,279	84,600	-68.9%	26,279	84,600	-68.9%

The Company recorded a total revenue of RM385.272 million, which was 1.8% higher as compared to the preceding year corresponding quarter. Total transaction and financing volume in the current quarter ended 31 May 2020 was recorded at RM778.57 million.

The gross financing receivables as at 31 May 2020 was RM10.518 billion representing an increase of RM1.374 billion as compared to 31 May 2019. The net financing receivables after allowance for impairment loss was RM9.759 billion as at 31 May 2020 as compared to RM9.704 billion as at 31 May 2019. Non-Performing Loans (“NPL”) ratio was 1.42% as at 31 May 2020 as compared to 1.92% as at 31 May 2019.

Other income was recorded at RM21.753 million for the current quarter mainly comprising bad debts recovered, insurance commission and E-Money service fee.

Ratio of total operating expenses against revenue was recorded at 72.0% for the current quarter as compared to 58.7% in the preceding year corresponding quarter. The increase was mainly due to higher allowance for impairment losses on financing receivables. Loan loss coverage ratio stood at 507% as at 31 May 2020 as compared to 337% as at 31 May 2019.

Funding cost for the current quarter was higher compared to the preceding year corresponding quarter mainly due to higher borrowings in line with the growth of receivables. The nominal value of the borrowings as at 31 May 2020 was RM8.244 billion as compared to RM6.926 billion as at 31 May 2019.

The profit before tax for the current quarter of RM37.086 million decreased by 67.1% as compared to the preceding year corresponding quarter.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B2 Financial Review for Profit before Taxation of Current Quarter Compared with Immediate Preceding Quarter

	Current Quarter 31.5.2020 RM'000	Immediate Preceding Quarter 29.2.2020 RM'000	Changes %
Transaction and financing volume	778,571	1,645,533	-52.7%
Revenue	385,272	413,279	-6.8%
Total operating expenses	277,517	249,503	11.2%
Other income	21,753	41,636	-47.8%
Profit before tax	37,086	118,032	-68.6%
Profit for the period	26,279	88,389	-70.3%

Profit before tax (“PBT”) for the current quarter was recorded at RM37.086 million. The decrease was mainly due to revenue contraction and lower other income resulting from the Movement Control Order (“MCO”) imposed by the Malaysian Government since 18 March 2020 which had caused major disruptions to the Company’s operations nationwide. In addition, the lower PBT was due to higher impairment losses of RM174.37 million recorded for the quarter ended 31 May 2020 as compared to RM87.813 million for the immediate preceding quarter.

B3 Current Year Prospects

In the first quarter of 2020, the Malaysian economy posted a Gross Domestic Product (“GDP”) growth of 0.7% while annual GDP growth is projected to be between -2.0% and 0.5% in 2020 by Bank Negara Malaysia, due mainly to the significant economic repercussions arising from the COVID-19 pandemic.

The COVID-19 pandemic has significantly impacted the global business environment and financial conditions. In Malaysia, the Movement Control Order (“MCO”) imposed by the Government on 18 March 2020 was eased into a Conditional MCO (“CMCO”) from 4 May 2020 to 9 June 2020, and subsequently replaced by a Recovery MCO (“RMCO”) from 10 June 2020 to 31 August 2020. The MCOs have caused major disruptions to the Company’s operations nationwide. With the implementation of additional measures directed by Bank Negara Malaysia to assist borrowers and customers experiencing financial constraints due to the COVID-19 outbreak, the Company has taken actions to put the necessary measures in place to face the imminent challenges.

It is expected that the ongoing pandemic will have a negative bearing on the Company’s financial performance and condition, and also its liquidity position of the forthcoming financial year. The extent of the financial impact on the Company difficult to access at this time in light of prevailing uncertainties over when the pandemic will end. Moving forward, the Company will continue to closely monitor and assess the inherent credit risks in its financing portfolio by placing emphasis on enhancing assets quality, embracing prudent cost and cash management, and improving on financial and operational efficiencies by leveraging on its positive business fundamentals and extensive customer reach.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B4 Revenue

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	358,997	328,802	358,997	328,802
Fee income	26,275	49,786	26,275	49,786
	<u>385,272</u>	<u>378,588</u>	<u>385,272</u>	<u>378,588</u>

B5 Notes to the Statement of Comprehensive Income

Except as disclosed below, other disclosure items in item 16 of Appendix 9B of Bursa Malaysia's Listing Requirements are not applicable:

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	14,362	26,654	14,362	26,654
Interest income	907	388	907	388
Gain on disposal of plant and equipment	3	92	3	92
Depreciation of plant and equipment	(12,684)	(10,855)	(12,684)	(10,855)
Depreciation of right-of-use assets	(5,282)	(4,517)	(5,282)	(4,517)
Impairment loss on financing receivables	(174,368)	(93,338)	(174,368)	(93,338)
Write off of plant and equipment	(2)	(41)	(2)	(41)
(b) Included in Other comprehensive income:				
Loss on cash flow hedge	(56,093)	(18,280)	(56,093)	(18,280)
Net fair value changes on equity instruments through other comprehensive income	(4,138)	2,217	(4,138)	2,217

Receivables amounting to RM105.191 million (FYE2020: RM88.812 million) has been written off against allowance for impairment losses on receivables for the current quarter.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B6 Interest expense

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
	RM'000	RM'000	RM'000	RM'000
Interest expense on financial liabilities that are not stated at fair value through profit or loss:				
Bank overdraft	2	51	2	51
Commercial paper	3,029	2,107	3,029	2,107
Revolving credits	1,127	2,360	1,127	2,360
Term loans/financing	79,629	70,187	79,629	70,187
Senior and subordinated sukuk	6,573	-	6,573	-
ICULS interest	1,296	4	1,296	4
	<u>91,656</u>	<u>74,709</u>	<u>91,656</u>	<u>74,709</u>
Interest on lease liabilities	766	679	766	679
	<u>92,422</u>	<u>75,388</u>	<u>92,422</u>	<u>75,388</u>

B7 Taxation

(i) Tax expense

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current year	6,347	26,592	6,347	26,592
Deferred tax:				
- current year	4,460	1,476	4,460	1,476
	<u>10,807</u>	<u>28,068</u>	<u>10,807</u>	<u>28,068</u>

The Company's effective tax rate is higher than the statutory tax rate as certain expenses are not deductible for tax purpose.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

(ii) Material litigation

Save as disclosed below, the Company is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which have a material effect on the financial position or business of the Company and the Directors are also not aware of any proceedings pending or threatened against the Company or of any facts likely to give rise to any proceedings which may affect the financial position or business of the Company.

On 12 December 2017, the Company was served with notices of additional assessment with penalties by the Director General of Inland Revenue (“DGIR”) for year of assessment of 2010 till year of assessment of 2016. The additional assessments and penalties imposed amounted to RM96.820 million.

The said notices of additional assessment were raised by the DGIR among others, pursuant to:

- (a) The DGIR varying the loan transaction collateralised by receivables undertaken by the Company with a local financial institution to that of a sale of receivables. The DGIR did not specify which provision of the Income Tax Act 1967 it is relying on in making this variation.
- (b) The DGIR also raised time barred assessments for the years of assessment 2010 and 2011. The DGIR also did not provide any reason for raising the time barred assessments.
- (c) The DGIR imposed penalties for alleged submission of incorrect returns.

In consultation with its tax solicitors and corporate tax agents, the Company is of the view that there are reasonable grounds to disagree with the said notices of additional assessment raised by the DGIR.

Accordingly, the Company has also initiated the necessary legal proceedings to defend and safeguard its position as follows:

(a) Stay of Proceedings

The application for a Stay of Proceedings was filed with the Kuala Lumpur High Court on 14 December 2017. The Kuala Lumpur High Court did not grant the Company’s application on 8 May 2018. The Company filed its appeal to the Court of Appeal against this decision on the same day. However, on 5 April 2019, the Court of Appeal dismissed the Company’s appeal. The Company will continue to pursue this matter through its Judicial Review application as indicated in item (b) below.

(b) Judicial Review

On 14 December 2017, the Company also commenced proceedings to seek a Judicial Review on this matter. However, the Kuala Lumpur High Court did not grant the required leave on 5 March 2018. On the same day, the Company filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court. The hearing on 1 July 2019 had been vacated. The hearing date has yet to be fixed.

(c) Appeal to Special Commissioners of Income Tax (“SCIT”)

On 5 January 2018, the Company has filed an appeal to the SCIT pursuant to Section 99(1) of the Income Tax Act 1967. The hearing date has yet to be fixed.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B7 Taxation (continued)

(ii) Material litigation (continued)

(d) Civil recovery proceedings by DGIR

On 9 July 2019, the Company received a writ of summons together with a statement of claim filed by the DGIR in respect of the taxes which are purportedly due for the years of assessment 2010-2016.

On 2 December 2019, the Shah Alam High Court had granted a stay of proceedings against the civil recovery suit commenced by the Government of Malaysia against the Company. The stay is valid until 1 June 2020 pending discussions between the parties to explore the possibility of an amicable resolution. The matter has now been fixed for case management at the High Court on 29 June 2020 for further instruction and the High Court has advised parties to proceed with the discussions expeditiously.

In the light of the above on-going development, no tax provision has been made on the aforesaid matter.

B8 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding as at 31 May 2020 are as follows:

	Notional Amount		Fair Value	
	31.5.2020	29.2.2020	31.5.2020	29.2.2020
	RM'000	RM'000	RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	909,920	280,078	33,587	28,810
1 – 3 years	635,765	-	10,365	-
Total	1,545,685	280,078	43,952	28,810
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	-	716,876	-	(4,723)
1 – 3 years	553,196	1,153,764	(25,106)	(41,185)
More than 3 years	1,707,974	1,355,149	(95,432)	(86,669)
Total	2,261,170	3,225,789	(120,538)	(132,577)

(b) Fair value of financial liabilities

There were no fair value gain/(loss) on financial liabilities since all financial liabilities were measured at amortised cost.

B9 Provision of Financial Assistance

The Company has not extended any loans/advances to any party or received any loan/advances from any party in the ordinary course of its business as a licensed moneylender and therefore, there are no outstanding loans/advances as at 31 May 2020.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B10 Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the date of this report.

B11 Borrowings

The borrowings of the Company as at 31 May 2020 comprised the following:

	<u>31.5.2020</u>	<u>29.2.2020</u>
	Unsecured	Unsecured
	RM'000	RM'000
Non-current :		
- Term loans/financing	5,536,935	5,098,913
- Senior sukuk	498,631	498,603
- Subordinated sukuk	199,616	-
	<u>6,235,182</u>	<u>5,597,516</u>
Current :		
- Bank overdrafts	-	44,298
- Revolving credits	350,000	-
- Commercial paper	148,080	658,900
- Term loans/financing	1,659,920	1,896,954
	<u>2,158,000</u>	<u>2,600,152</u>
Total	<u>8,393,182</u>	<u>8,197,668</u>

The borrowings were denominated in the following currencies:

	<u>31.5.2020</u>		<u>29.2.2020</u>	
	Foreign	Unsecured	Foreign	Unsecured
	Currency	Equivalent	Currency	Equivalent
	'000	RM'000	'000	RM'000
Ringgit Malaysia		4,586,327		4,691,801
United States Dollar	876,033	3,806,855	831,381	3,505,867
		<u>8,393,182</u>		<u>8,197,668</u>



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B12 Material Litigation

As at the date of this announcement, the Company is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or business of the Company except as disclosed in Note B7 (ii).

B13 Dividend

No dividend was proposed or declared during the current quarter.

B14 Earnings per share

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	26,279	84,600	26,279	84,600
Distribution on perpetual notes and sukuk, net of tax	-	(1,133)	-	(1,133)
Profit attributable to ordinary equity holders	<u>26,279</u>	<u>83,467</u>	<u>26,279</u>	<u>83,467</u>

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit after distribution on Perpetual Notes and Sukuk by the weighted average number of ordinary shares outstanding during the period.

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2020</u>	<u>31.5.2019</u>	<u>31.5.2020</u>	<u>31.5.2019</u>
Profit attributable to ordinary equity holders (RM'000)	26,279	83,467	26,279	83,467
Weighted average number of ordinary shares ('000 unit)	<u>255,308</u>	<u>255,308</u>	<u>255,308</u>	<u>255,308</u>
Basic earnings per share (sen)	<u>10.29</u>	<u>32.69</u>	<u>10.29</u>	<u>32.69</u>

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 31 May 2020. As a result, the diluted earnings per share is equivalent to the basic earnings per share.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

B15 Auditors' Report on the Preceding Annual Financial Statements

There was no qualification in the audit report on the preceding audited annual financial statements.

B16 Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 25 June 2020.

By order of the Board
25 June 2020